



HF 2445 – College Textbook Sales Tax Holiday (LSB 6093HV)

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Fiscal Note Version – New

Description

House File 2445 provides a sales tax holiday for the sales of college textbooks. Eligible college textbooks will be exempt from sales tax if purchased between the first Friday and Saturday in August and January each year.

Background

Currently, the sales price of college textbooks are exempt if the purchases are made at a store owned and operated by the institution. However, students purchasing textbooks from the Iowa State University bookstore and the University of Iowa bookstore are charged sales tax and are required to submit sales tax refund forms to the Iowa Department of Revenue to receive the sales tax exemption.

Assumptions

- Of the 244,831 postsecondary students enrolled in Iowa, 63.9% are full-time and 36.1% are part-time.
- The annual average cost of college textbooks is \$1,177 for full-time students in FY 2012. The estimated growth factor in the cost of college textbooks is 3.5% annually.
- The percentage of students that obtain college textbooks is 96.0% and the estimated percentage of students that rent, borrow, or purchase college textbooks online is 14.5%.
- The estimated sales generated from the sales of college textbooks from Iowa college or university-owned bookstores totals approximately \$45.8 million. Community colleges that own and operate on-campus bookstores do not charge sales tax for college textbooks. The University of Iowa and Iowa State University operate bookstores and charge sales tax. Although the State may be receiving sales tax revenue from these sales, they should currently be exempt from sales tax.
- The estimated amount of college textbooks sales currently not eligible for the sales tax exemption will total \$162.2 million in FY 2013 and \$168.9 million in FY 2014.
- Approximately 90.0% of total textbook sales occur in August and January for colleges starting semesters in those months.
- The sales tax holiday dates will align closely with college semester start dates.
- Assumes that 6.5% of total textbook sales will occur during the two-day sales tax holiday period in each month. This ratio could vary depending on the proximity of the sales tax holiday to the start of the each college's semester.

Fiscal Impact

The following table provides the estimated fiscal impact of **HF 2445**. Overall, the estimated sales/use tax reduction amount will be \$1.1 million in FY 2013 and \$1.2 million in FY 2012, and similar amounts in future fiscal years. The estimated impact to the General Fund will be a reduction in sales/use tax receipts totaling \$0.9 million in FY 2013 and \$1.0 million in FY 2014 (and similar amounts in future fiscal years). The estimated impact to the Secure an Advanced Vision for Education Fund is a reduction of \$0.2 million in FY 2013 and future fiscal years.

Statewide, the local option sales tax revenues will be reduced by less than \$200,000 in FY 2013 and future fiscal years.

	Estimated Change in State Sales Tax Revenue	Estimated General Fund Impact	Estimated SAVE Fund Impact	Estimated Impact to Local Option Sales Tax
FY 2013	\$ -1,127,072	\$ -939,226	\$ -187,845	\$ -163,425
FY 2014	\$ -1,166,519	\$ -972,099	\$ -194,420	\$ -169,145

Sources

Iowa Department of Revenue

Iowa Department of Education

Iowa Board of Regents

Krey, N., Clow, K. & Babin, L. (Fall 2009): *Where Do College Students Purchase Textbooks*,
International Journal of Education Research, Volume 4, Number 3

Annual Survey of Colleges, The College Board

National Center of Education Statistics, Integrated Postsecondary Education Data System

Legislative Services Agency analysis and calculations

/s/ Holly M. Lyons

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The fiscal note for this bill was prepared pursuant to **Joint Rule 17** and the correctional and minority impact statements were prepared pursuant to **Iowa Code section 2.56**. Data used in developing this fiscal note is available from the Fiscal Services Division of the Legislative Services Agency upon request.
